2000 ANNUAL REPORT

Cover Photo at Hecla Island courtesy of TRAVEL MANITOBA

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For more information ...

You may make an appointment to view any of the following at the Civil Service Superannuation Board (Board) office, Monday to Friday (except holidays) from 8:00 a.m. to 4:30 p.m.:

- a copy of The Civil Service Superannuation Act (Act) and all amendments
- the annual information return submitted each year to the Pension Commission of Manitoba
- a copy of the latest Actuarial Valuation Report

Upon request, the Board will provide members, spouses or authorized representatives with detailed information and explanations regarding benefits payable in the event of a member's retirement, death, marriage separation, or termination of employment.

Client services provided throughout Manitoba

Individual Consultations

- private, personalized information service
- appointments should be made in advance to avoid delays

Pre-Retirement Planning Seminars

- one day sessions for employees planning to retire
- discussion includes benefits and lifestyle adjustment
- spouses are encouraged to attend

Benefit Information Seminars

- 2–3 hours duration
- focus on pension and group insurance

To arrange for any of the above services in your area please contact:

Civil Service Superannuation Board

1200-444 St. Mary Ave.
Winnipeg MB R3C 3T1

Telephone: (204) 957-8722
Fax: (204) 945-0237
Canada-Wide Toll-Free Number: 1-800-432-5134

World Wide Web page: www.cssb.mb.ca
E-mail: askus@cssb.mb.ca

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Letter to the Lieutenant Governor

MINISTER RESPONSIBLE
FOR THE CIVIL SERVICE SUPERANNUATION ACT

Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

April 23, 2001

To The Honourable Peter M. Liba
Lieutenant Governor of Manitoba

May It Please Your Honour:

As Minister Responsible, I have the privilege of presenting for the information of Your Honour, the 62nd Annual Report of the Manitoba Civil Service Superannuation Board for the calendar year ended December 31, 2000.

Respectfully submitted,

HONOURABLE GREG SELINGER
Minister of Finance,
Minister Responsible for
The Civil Service Superannuation Act

Manitoba 2000
Our Past, Our Future, Our Celebration.
Notre passé, Notre avenir, Notre fête.

Letter to the Minister

Manitoba

The Civil Service Superannuation Board

1200-444 St. Mary Ave. Winnipeg, Manitoba R3C 3T1 CANADA

April 23, 2001

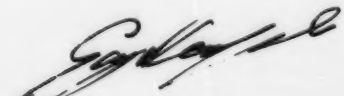
Honourable Greg Selinger
Minister of Finance
Minister Responsible for
The Civil Service Superannuation Act
Room 156 Legislative Building
Winnipeg MB R3C 0V8

Sir:

In conformity with the provisions of The Civil Service Superannuation Act, I am pleased to forward to you, the Minister Responsible for The Civil Service Superannuation Act, the 62nd Annual Report of the Manitoba Civil Service Superannuation Board.

This report covers the period January 1, 2000 to December 31, 2000 and includes a review of the Board's activities for that period as well as the Report of the Provincial Auditor and attached audited financial statements for that period.

Respectfully submitted,



GARY N. COOPLAND, CHAIR
Civil Service Superannuation Board

Board Members

Chair

Gary N. Coopland

Employee Representatives

Rod Bond
Manitoba Hydro - Electric Board
Manitoba Hydro Representative

Ray Erb
MGEU
Civil Service Representative

Denis Fitzpatrick
Interlake Regional Health Authority
Civil Service Representative

Susan Rusk
Intergovernmental Affairs
Civil Service Representative

Employer Representatives

Gabriel Forest, F.C.A.
Chartered Accountant

Carmele Peter
Solicitor

Dr. Les Ullyot
Medical Doctor

Vacant Position

CSSB Management

Robert H. Covernton
General Manager

Allen Borle
Director, Finance

Robert Derksen
Director, Communications and Client Services

Robert Riddell
Director, Management Information Systems

Bruce Schroeder
Director, Client Services Administration

Chief Investment Officer

Lindsey Fuller, C.F.A.

Consulting Actuary

Dennis Ellement, F.S.A., F.C.I.A.

Civil Service Superannuation Board

THE BOARD has the fiduciary responsibility for the administration of the Plan and management of the investment funds in the best interest of all present and future Plan members, pensioners and beneficiaries. It is also responsible to:

- ensure that the staff fulfill the investment and administrative obligations set out in the Act and comply with the requirements of both the Pension Benefits Act of Manitoba and the Income Tax Act
- delegate the day-to-day management to the General Manager and his staff
- provide overall direction and approval of policy items

These duties are vested in nine members, four of which are elected by participating employees, and four members and a chairperson who are appointed by Government. The Board meets 10 to 12 times per year.

As the Plan Trustee, the Board is required to:

- manage the Civil Service Superannuation Fund (Fund) in accordance with the rules of the Pension Plan, governing legislation, and common law in the interest of Plan members and their beneficiaries
- obtain an actuarial valuation every three years
- regularly review its investment policy
- conduct an independent audit each year
- prepare an Annual Report

Organizational Structure

The day-to-day management of investment assets and delivery of pension and insurance benefits is accomplished by a dedicated and diverse team consisting of approximately 40 staff members.

2000 Highlights

Civil Service Superannuation Board Annual Report

Highlights ($) THOUSANDS	**2000**	1999
Market Value of Investments	**$2,140,549**	$1,965,239
Investment Income	**$191,140**	$137,533
Investment Rate of Return*	**9.8%**	7.8%
Employee Contributions	**$52,250**	$49,308
Employer Payments	**$70,693**	$65,911
Pension Payments	**$129,437**	$118,724
Refunds and Transfers	**$18,046**	$16,412
Administrative Expenses	**$1,973**	$1,671
Investment Expenses	**$2,664**	$2,398
Employees and Former Employees	**26,380**	26,177
Pensioners and Beneficiaries	**10,999**	10,697
Total Members	**37,379**	36,874

* *Independently calculated by Royal Trust (1999 – SEI Canada)*

2000 Plan Improvements

Amendments to the Civil Service Superannuation Act

The Civil Service Superannuation Act was amended effective December 15, 2000 to include changes as negotiated by the Employer Advisory Committee and the Employee Liaison Committee. The actuarial surplus of approximately $300,000,000, plus the increased employee contributions, effective January 1, 2001, will fund the additional benefits. The cost of the negotiated changes is fully paid from the Fund with no additional employer cost.

1. **Pension Formula Improved**
   Benefits on pensionable earnings up to the Canada Pension Plan Yearly Maximum Pensionable Earnings (YMPE) for any pensionable service after 1965 increased from 1.4% to 1.6%. The improved formula applies to virtually all pension recipients and any members with deferred pensions. This formula also applies to benefits on death, marriage separation or termination if that event occurred after the effective date of the legislation.

2. **Pension Increase Made Retroactive for Pensioners**
   The January 2001 pension included a retroactive payment to September 1, 2000.

3. **Employee Contribution Rate Changed**
   The employee contribution rate on pensionable earnings up to the YMPE increased from 5.1% to 6% on any pensionable earnings paid after December 31, 2000. The 7% contribution rate on any pensionable earnings over the YMPE did not change.

4. **Purchasing Past Service Made More Flexible**
   Employees can convert non-pensionable service (excluding contract) and periods of leave or lay-off with an employer in the Fund to pensionable service by paying the full actuarial cost.

5. **Maternity Leave Available at Reduced Cost/Window for Past Maternity Leave**
   The cost to purchase maternity leave was reduced by 50%. Anyone who purchased maternity leave in the past is entitled to an automatic refund of the difference between the old and new cost. Members who want to purchase past maternity service at the lower cost will have until July 3, 2002 to apply.

Message from the Chair

Gary N. Coopland

Pension security is what you have come to rely upon and most certainly deserve. During times of economic ups and downs, stability of your pension dollar is key to a comfortable retirement. Once again, the highly skilled staff available to you through the Board office have taken measures to provide members with stability of benefits, helping to ensure that your financial goals can be achieved. Through prudent investment management, effective communications and benefit enhancements, you can be assured that the Board's part in your road to financial freedom is well thought out.

Your investment in the Plan is taken very seriously. Investment of those contributions is made in a prudent, cost-effective fashion with a conservative amount of risk. Through diversification, in a process that matches the Plan's assets with its liabilities, members are provided with pension entitlements when they are needed. The Asset Mix Policy, created after careful study, sets out parameters for decision making and diversifying investments in a way that should maximize potential returns. This asset mix is the key to ensuring that long-term rates of return are stable in order to pay your benefits. The optimal mix of investments between fixed income and equity is well planned for your retirement. Each pension plan is unique, and this planning is essential to ensuring that our promise to you is constantly being attained.

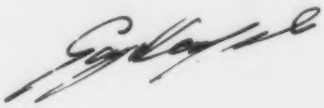
We can see how dynamic the stock markets can be. After enjoying many years of outstanding gains or increases, those markets receded quite quickly towards the end of 2000, losing almost 14% in the last 3 months of the year. There isn't anyone who hasn't heard of Nortel Networks this year and its impact on the North American stock markets in this downturn. One of the benefits of your Asset Mix Policy is the restriction of holding not more than a specified amount of any one stock. Through careful monitoring

of this Policy by the Board's Investment Committee and through prudent investment management, the impact of Nortel Networks was not even felt in your Fund's rates of return this year. The 9.8% Fund return in 2000 more than met actuarial requirements and provided a cushion for future benefit improvements.

In the fall of 2000, the Minister of Labour announced some of the benefits enhancements affecting your pension entitlement. Board staff spent many hours updating information systems and pension calculations, working as a team, and effectively communicating this improvement to the membership. I commend them for their outstanding efforts in achieving that enormous task.

The Board's commitment to achieving its goals is unsurpassed. We continually excel in our ability and desire to have your pension staff trained to the highest professional standards. We also make every effort to retain those highly skilled team players for your benefit. I would like to thank them, on behalf of the Board, for their ongoing commitment to you. Without these people, it would be extremely difficult to maintain the high administrative standards that we've grown accustomed to and enjoyed.

One of those people was Vaughan McLeod. After 38 years with the provincial government, 26 of which were spent with the Board, Vaughan retired during 2000 from his position as Director, Administration. His contribution to what the structure of the Plan is today has been formidable. During his career with the Board, Vaughan spent countless hours researching and improving the pension legislation to everyone's benefit. On behalf of the Board and staff, we would like to thank Vaughan for his vision and commitment, and wish him every enjoyment in a well-deserved retirement.



GARY N. COOPLAND
Chair

General Manager's Message

Robert H. Covernton

During 2000, we continued to deliver strong member services in a year in which we also experienced exceptional growth in pension and investment administration. Workloads increased dramatically as members and pensioners heightened their expectations for information on the effects of proposed Plan amendments. Employers also required more detailed investment reporting and additional administrative services in order to accommodate new employee groups.

I believe we have one of the most cost-effective and responsive customer service organizations in the pension industry as a direct result of our team efforts over the years. This remains apparent even as we continually strive to improve service delivery systems, train and retrain staff to meet not just today's but also tomorrow's challenges and demands, develop and install new electronic information management systems, and ensure that each member's data records are always accurate and complete. The process of developing modular information systems exceeds expectations by ensuring that we are constantly capable of adapting to unexpected client demands. During this year's unprecedented workload, it was our in-house developed and customized information systems, in combination with an extremely dedicated, professional and highly skilled staff, that enabled us to maintain our exceptional standard in service delivery.

Working within the Board's legislative mandate and investment policies, we were able to generate an actuarial surplus that has been utilized by the negotiating partners in the Plan to significantly improve pension benefits for active and retired employees. Although it has not been the case with all large public sector pension plans, your Plan continues to pass on benefit improvements to those already in receipt of pension benefits.

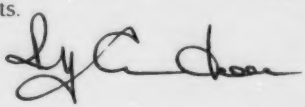
Such an actuarial surplus often results from meticulous monitoring of an investment Asset Mix Policy, established for the specific

liabilities of a pension plan. Even in today's uncertain market conditions, a well planned and diversified structure of investments is key to providing for the enhancement of benefits. Your investment team and the Board's Investment Committee regularly review how your pension contributions are invested. Sophisticated leading edge tools are used to analyze the portfolio of investments and to determine how assets may be best allocated. Based on diligent research, necessary adjustments are regularly made to take advantage of ever changing investment opportunities. As a result of these initiatives, your Fund's average annual rate of return over the past 10 years has been 11%.

An actuarial review is conducted at least every three years to ensure the Plan's viability. It is however vitally important that escalating costs of future benefits be offset by growth in your pension assets. This can be best accomplished by providing stable long-term investment returns.

Our continued focus is to make sure that all members receive the secure pension and insurance benefits to which they are entitled. To meet this challenge, we have developed a highly effective organization, managed by a team of industry professionals with expertise in investments and administration. Your jointly managed Board of employee and employer representatives serves as a vital check in making sure management remains focused on maximizing investment returns, managing assets prudently, and providing members, pensioners, and employers with the services they require.

I would like to thank the Board for its vision and leadership, and each of our employees for their commitment, dedication and hard work throughout the last year. We have achieved consistently high results on behalf of all our members, pensioners and their families, as a result of the Board and staff's continued outstanding efforts.



ROBERT H. COVERNTON
General Manager

Investment Committee

Members of the Investment Committee are appointed by the Lieutenant Governor in Council based on their investment expertise, legislative requirements or, in the case of the employee representative, elected by the employee representatives of the Board.

Committee Members

G. N. Coopland – Chair, Investment Committee and CSSB
(retired Vice-President Investments,
The Great-West Life Assurance Company)**

R. E. Archer – Executive Vice-President Investments and Trusts,
Investors Group (past CSSB Chair)*

R. Bond – Treasurer, Manitoba Hydro - Electric Board
(employee representative)**

R. H. Covernton – General Manager, CSSB**

C. E. Curtis – Retired Deputy Minister of Finance, Province of Manitoba*

R. Erb – Pension and Benefits Specialist, MGEU
(employee representative)**

J. P. Gannon – Deputy Minister of Finance, Province of Manitoba**

* appointed based on investment expertise
** required by legislation

Financial Statement Review Committee

G. Forest, F.C.A. – Chair, Chartered Accountant

C. Peter – Solicitor

S. Rusk – Intergovernmental Affairs, Employee Representative

Investment Report

Policies and Goals

Investment Decisions Reflect Policies and Goals

Investment decisions are based on the Fund's Statement of Investment Policies and Goals (SIP&G) which is approved by the Fund's Board of Directors. The SIP&G includes such parameters as asset mix, investment quality, holding limits, investment objectives, valuation procedures and the investment management structure. The single most important determinant of pension fund performance is asset mix. Different risk elements relating to market volatility and potential returns are factored into an investment decision. Investments that produce lower returns generally are a result of lower risk or volatility. In order to optimize returns and reduce investment volatility, Fund assets are diversified among the various asset classes, including short-term investments, bonds and debentures, and equities, as well as across the world's economic regions.

The Fund's SIP&G has changed significantly over the past 20 years. It began being heavily weighted in bonds and mortgages and having relatively low weightings in stocks and real estate. The Fund was limited to 25% of its assets in stocks up until 1994. This policy delivered relatively high returns with relatively low risk. Returns from bonds and stocks during the 1980's were similar (income and capital appreciation). Because a large part of the bond return was due to high interest rates, and not capital appreciation, there was less risk involved in achieving the Fund's returns.

The SIP&G was updated to reflect a changing investment environment in 1993 when a larger, but still relatively low, exposure to stocks was introduced. A further increase in stocks resulted from the 1999 review.

During 2000, the benchmark, or target return, for Canadian stocks was changed from the TSE 300 to the TSE 300 5% Capped Index. This was a risk control decision, as the Board did not feel it was prudent to have close to 30% of its Canadian stocks dependant on the fortunes of one company, in this case Nortel. Under this policy constraint, the portfolio is measured against a TSE 300 Index where no one company comprises more than 5% of the total. Adopting this change moderated the downward pull of Nortel on the fully weighted index and the Fund's relative returns as it fell from a high of $124.50 per share in July to $45 at year-end.

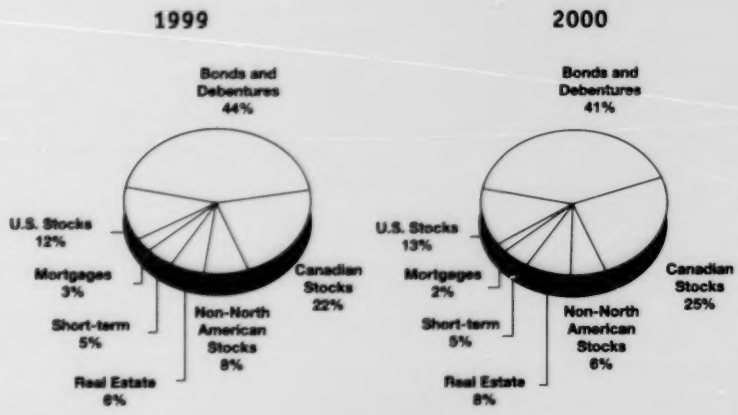
The changes to the SIP&ŧG over the years have consistently tried to deliver relatively high returns while assuming a relatively low degree of risk. Over the 20 years since the first formal policy was established, the Fund's investments have generally been successful in achieving these goals.

Governance

To ensure compliance with established guidelines, the asset mix of the Fund is constantly monitored by the Chief Investment Officer and reviewed monthly by the Fund's Investment Committee. At December 31, 2000, the Fund had the following asset mix as a percentage of the total investments at market value:

Investment Committee Ensures Policy Compliance

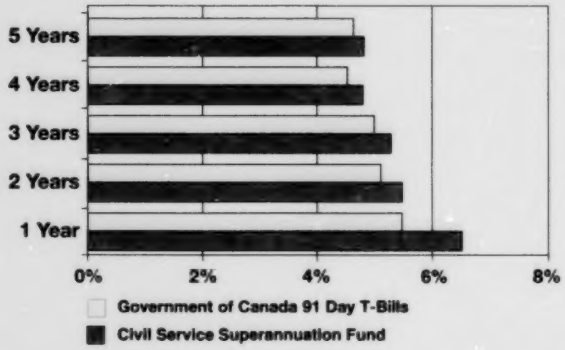
Fund Investments



Asset Classes & Their Performance

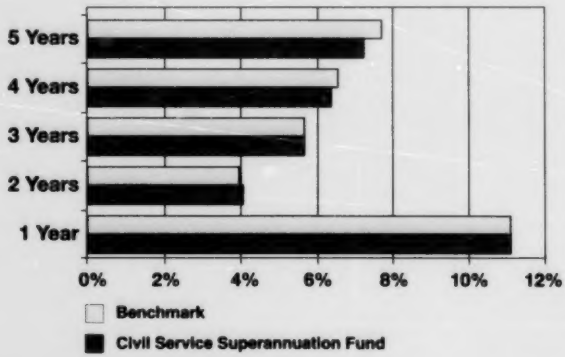
Cash and Short-term

The cash and short-term component of the portfolio returned 6.5% in 2000.



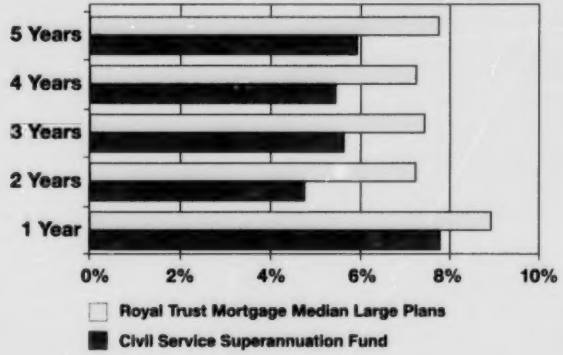
Bonds and Debentures

The bond portfolio returned 11.1% for the year, matching the performance of the benchmark. As equity deteriorated throughout the year, investors sought the relative safety of the bond market. This demand, combined with easing monetary policy, resulted in lower yields and capital gains as prices improved.



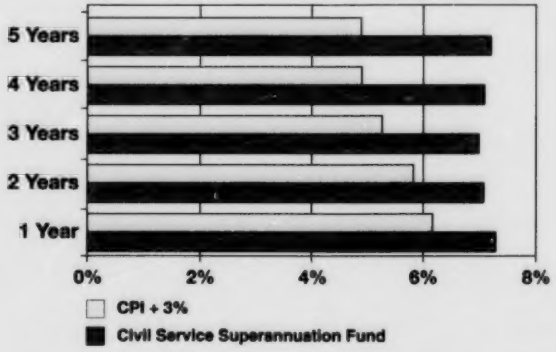
Mortgages

The mortgage portfolio has been in the process of winding down for a number of years.



Real Return

As a result of the SIP&G adopted in 1999, real return investments were designated as a vehicle to fund the Cost-of-Living Account for future benefits. The investments held in this part of the portfolio yielded 7.3% in 2000 versus its benchmark of 6.2% for the same period.

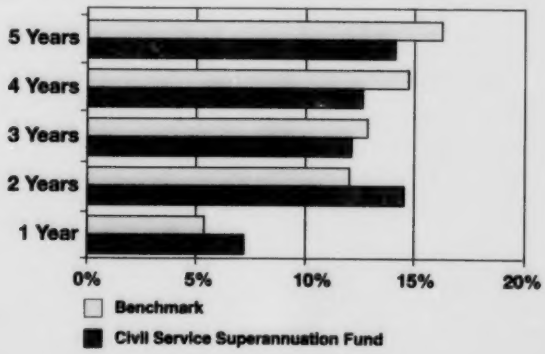


Total Equity

The indices used to measure the performance of the Fund's stock portfolio are Canada's Toronto Stock Exchange 300 5% Capped Index , the U.S. Standard & Poor's 500 Index (S&P 500) and The Morgan Stanley Capital International Index for Europe, Australia and Far East (MSCI EAFE). Based upon the implementation of the SIP&G, an assumed equity mix of 24% Canadian, 16% U.S. and 9% EAFE countries for total Fund assets is considered normal. As a percentage of total equity investments, this translates into 49% Canadian, 33% U.S. and 18% EAFE countries. This is referred to as the benchmark for total equities.

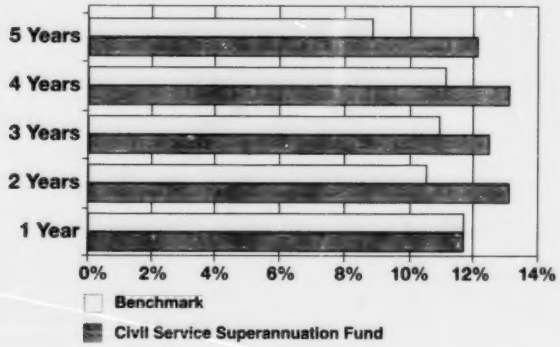
A frenzied bidding for technology stocks drove world equity market returns from autumn of 1998 until March of 2000. Since then, a more reasonable attitude to valuations for these companies has slowly emerged. Technology stocks worldwide suffered substantial declines in prices particularly during the fourth quarter. Overall, the Fund's investment approach has resulted in significantly lower holdings of these stocks. This is the main factor in equities outperforming their benchmark over the year (7.2% vs. 5.4% benchmark).

The Fund acquired additional oil and gas investments during the year at attractive prices, adding to the strong cash flows from existing properties. A portion of the expected production has been hedged in case prices for oil and gas fall from current levels.



Real Estate

The Fund's real estate holdings continued to provide solid returns producing an 11.8% return. Several acquisitions were completed, although attractively valued properties are becoming more difficult to find as 2000 ends.



Fund Investments

($) THOUSANDS	2000	1999
Contractual Investments		
Cash and Short-term	**$112,790**	$103,162
Bonds and Debentures		
Canadian/Federal/Provincial	**680,531**	612,352
Corporate	**176,250**	208,774
Asset-backed	**15,307**	31,880
Mortgages		
NHA	**37,225**	40,820
Conventional	**12,919**	14,882
Pooled	**1,102**	1,250
Equity Investments		
Canadian Stocks	**538,639**	430,968
U.S. Stocks	**278,053**	236,398
Non-North American Stocks	**132,187**	159,864
Real Estate	**155,546**	124,889
Total Investments	**$2,140,549**	$1,965,239

Investment Strategy Overview

Contractual Investments

- relatively high cash reserves were maintained during the year anticipating more reasonably priced stocks

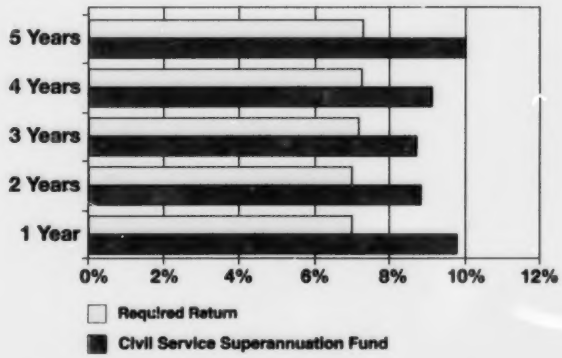
Equity Investments

- maintained an underweight position in U.S. and international markets
- maintained an underweight position in overvalued technology stocks
- added a major oil and gas acquisition to the portfolio at a very favourable price

The reversal of fortune in technology stocks was the investment story of the year. Poor earnings and slower revenue growth for these companies, which were already extremely overvalued, finally eclipsed the euphoria of the last few years. Not only did smaller more speculative stocks suffer, industry leaders such as Nortel and Cisco also performed very poorly.

Although Nortel dominates the TSE 300, Canada had the best performing equity market worldwide. Oil and gas stocks, an important component in our market, advanced as tensions in the Middle East and increasing demand buoyed crude oil and gas prices, which rose 33% and 250% respectively during the year. Asian markets, already struggling with

Total Fund Annualized Rates of Return



financial and banking reforms, were particularly affected by the slump in technology stock prices. Although the S&P 500 (in U.S. dollars) had its worst year since 1983, not all stocks suffered. The Energy, Financial and Health Care sectors performed well. Bonds benefited from the misfortunes of the equity market, as fixed income securities were perceived to be a safe haven for capital. Signs of slower economic growth and the prospects for easier monetary policy were also helpful for fixed income securities. Real estate also had a positive year, aided by lower long-term interest rates and good demand.

Our major concern continues to be the overextended nature of the U.S. economy, which, by itself, accounted for approximately 30% of world economic growth during the 1990's. By most measures, corporate America has spent double the amount of corporate cash generation on adding capacity and upgrading technology. The rest has been borrowed. While consumer wealth is at high levels, a lot of consumption has been financed by taking on additional debt, some of it to invest in the stock market.

We do not believe it is reasonable to continue to expect the historically high rates of return from stock investments experienced during the 1990's. Large, established economies such as Canada and the U.S. just do not grow at much above 3%, inflation adjusted, over longer time periods. Economy wide corporate profits generally track economic growth, thus a resumption of double digit stock returns in the major economies should prove difficult to achieve.

The Fund's balance between high quality bond investments, a value oriented bias to stock investments, and a mix of real estate and direct oil and gas investments should continue to work well in achieving the Fund's objective of earning relatively high returns while assuming conservative levels of risk.

Your Pension Plan

Your Plan is a "defined benefit" plan which means that your pension is based on a formula that provides pension, disability, death and termination benefits for all eligible members. The formula is based on your years of service and average salary. Being a defined benefit plan means that a fixed percentage of salary is contributed yearly by participating members. For these contributions, pension benefits are earned. While some employers presently match employee contributions, others are obligated to fund their share of benefits paid in the future.

Investment returns are not directly related to the amount of pension a member will receive. Good investment returns are necessary to secure the Fund's ability to continue to meet its current and future obligations to pay benefits, and are the major contributor to surplus.

The Plan allows for retirement after age 55 assuming the member has at least ten years of qualifying service. Unless the person is age 60 or older, or has achieved the Rule of 80 (age plus service), there is a reduction for early retirement. Members who reach age 65 may receive a pension providing they have at least one year of service.

All employees who are employed full time are required to join the Plan. Seasonal and part-time employees are required to join after meeting an earnings test (when they have earned 25% of the Yearly Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan in each of two successive calendar years).

Member Services

The Board offers the following services to members and their families, financial planners, solicitors, etc.

1. **Individual Meetings**
   Members can meet with Board staff in Winnipeg and rural areas to discuss pension and insurance benefits. Laptop computers allow for services similar to those provided at the Board office in Winnipeg to be offered in rural areas like Brandon and Dauphin. Members are encouraged to bring anyone they wish to these meetings, like a spouse or financial planner.

2. **Pre-Retirement Planning Seminars**
   The pre-retirement planning seminar program is a one-day session designed for employees who are beginning to plan for retirement. They are presented in major centers throughout Manitoba for groups of 15 to 50 people, and we encourage married members to bring their spouses. The focus of these seminars is on pension and insurance benefits offered through the Board, although the presentation and course materials also include information on Federal benefits, estate planning, use of leisure time, and health considerations.

3. **Employee Pension and Insurance Seminars**
   The employee information seminars focus on pension and insurance benefits on such subjects as eligibility, entitlement to benefits, family protection, disability, death, marriage separation, etc. They are presented to groups of 15 to 250 employees of the government and its related boards, commissions, and agencies, and last for two to three hours.

4. **Personal and General Enquiries**
   Board staff are available to answer questions by way of phone and written communication.

Highly qualified staff are available to meet your information needs with respect to enrollment, retirement, disability, termination and pension projections for estate and retirement planning.

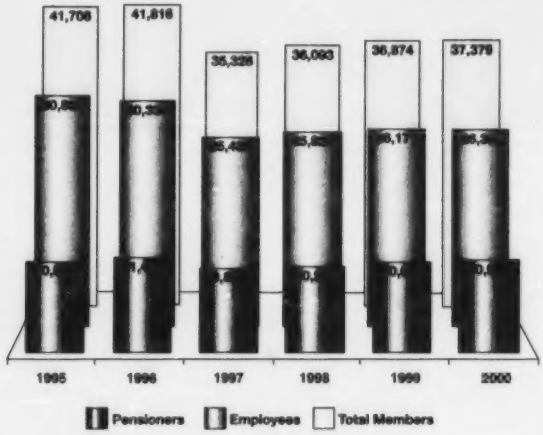
We ask that you have your employee number ready when calling the office and that you make an appointment prior to visiting to assist us in serving you better.

Members/Retirements

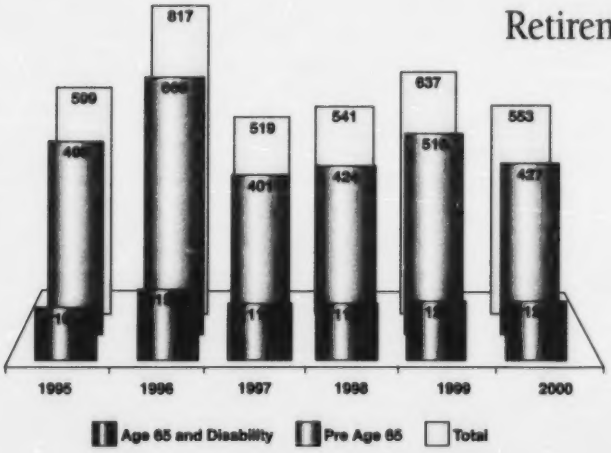
During 2000:

- total members increased by 505 to 37,379
- employees/former employees participating in the Fund increased by 203 to 26,380
- pensioners/beneficiaries increased by 302 to 10,999

Total Members



Retirements



Employees/Former Employees

The number of employees/former employees in the Plan, increased by 203 in 2000. The distribution of employees/former employees by employer as at December 31, 2000 was as follows:

	Males	Females	Total
Non Matching Employers			
Province of Manitoba Civil Service	6,819	6,782	13,601
Manitoba Hydro-Electric Board	3,324	884	4,208
Liquor Control Commission	267	193	460
Manitoba Public Insurance	618	628	1,246
Addictions Foundation of Manitoba	75	150	225
Communities Economic Development Fund	10	6	16
Community Colleges			
Assiniboine Community College	107	143	250
Keewatin Community College	87	122	209
Manitoba Agricultural Credit Corporation	31	36	67
Manitoba Centennial Centre Corporation	43	21	64
Manitoba Horse Racing Commission	4	2	6
Red River College	448	417	865
Regional Health Authorities			
Brandon	77	255	332
Burntwood	3	33	36
Central	29	122	151
Interlake	11	95	106
Marquette	9	52	61
Norman	1	28	29
Nor-man	1	16	17
North Eastman	6	31	37
Parkland	23	94	117
South Eastman	4	35	39
South Westman	10	58	68
Winnipeg	33	301	334
Teachers' Retirement Allowances Fund Board	8	18	26
The Council for Post Secondary Education	3	9	12
The Legal Aid Services Society of Manitoba	39	91	130
Total Non Matching	**12,090**	**10,622**	**22,712**
Matching Employers			
Civil Service Superannuation Board	13	22	35
Crown Corporations Council	2	3	5
Economic Innovation and Technology Council	2	3	5
Gaming Control Commission	9	4	13
Industrial Technology Centre	25	9	34
Manitoba Arts Council	1	5	6
Manitoba Chicken Producers	1	3	4
Manitoba Crop Insurance Corporation	147	76	223
Manitoba Government Employees' Union	24	24	48
Manitoba Hazardous Waste Management Corporation	1	—	1
Manitoba Housing Authority	160	102	262
Manitoba Lotteries Corporation	25	21	46
Manitoba Milk Producers	7	12	19
Manitoba Pork Marketing Co-op Inc.	12	10	22
Manitoba Pork Council	3	5	8
Manitoba Turkey Producers' Marketing Board	—	2	2
National Agri-food Technology Centre	7	9	16
Total Matching	**439**	**310**	**749**
Other			
Deferred Pension Accounts	1,205	1,284	2,489
L.T.D. Recipients	61	112	173
Manitoba Reciprocal Agreements	146	93	239
Pending Reciprocal Agreements	18	20	38
Total Other	**1,430**	**1,489**	**2,919**
TOTAL	**13,959**	**12,421**	**26,380**

25

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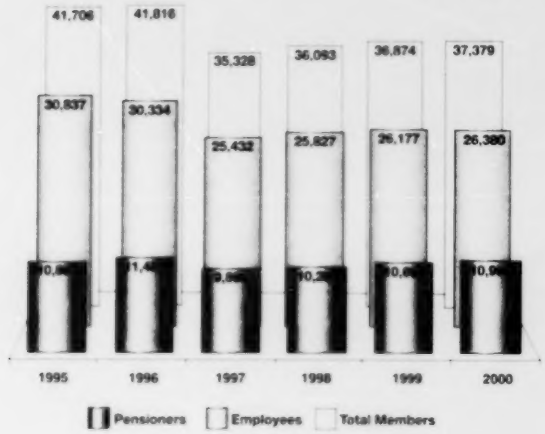
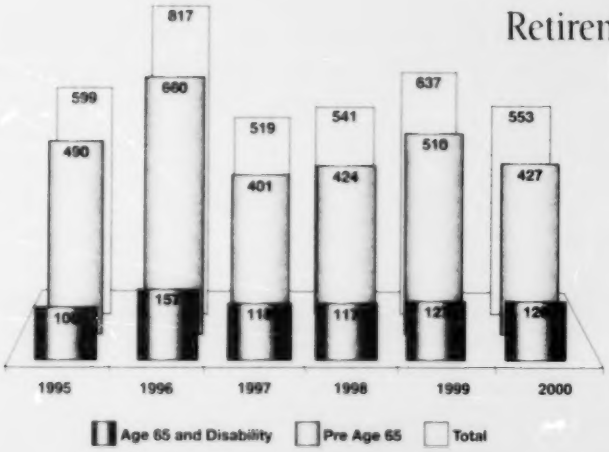


Retirements



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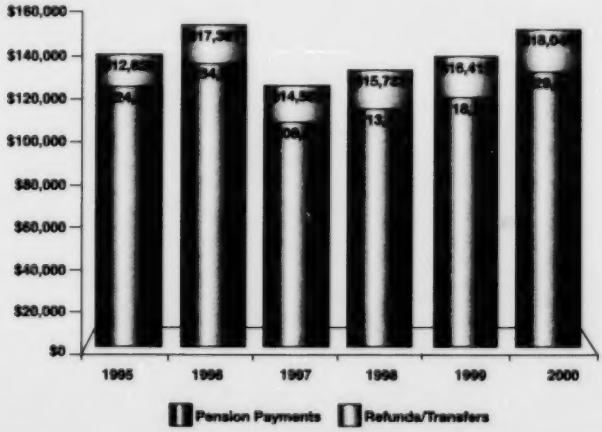
Paying Your Benefits

- 10,999 pensioners/beneficiaries were receiving pension benefits at the end of 2000
- $129.4 million was paid in pensions during 2000

Members No Longer Contributing

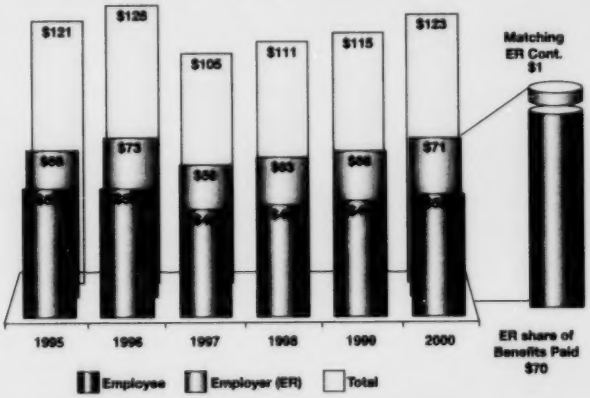
Payments From The Fund (thousands)



Employee Contributions/ Employer Payments

- employees contributed $52.3 million to the Fund compared to $49.3 million in 1999
- employers paid $70.7 million to the Fund compared to $65.9 million in 1999
- 89.8% of your contributions fund basic pension and beneficiary benefits
- 10.2% of your contributions are allocated for cost-of-living benefits

Contributions and Payments (millions)



You and your employer share in the cost of the Plan. Each year you contribute the following:

- 6% up to Canada Pension Plan maximum earnings ($37,600 in 2000)
- 7% on earnings in excess of that amount

Employer payments include:

- approximately 50% of pensions paid and Commuted Value transfers for terminations, marriage separations, and deaths for non-matching employers
- payments made by matching employers

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Cost-of-Living Allowance

- 10.2% of employee contributions and contributions from matching employers go to a separate indexing account to fund cost-of-living increases (COLA)
- the account funds approximately half the COLA increase while employers pay their share
- pensioners and beneficiaries receive an annual increase to a maximum of 2/3 of the increase in the Canadian Consumer Price Index (CPI)
- the COLA paid July 1, 2000 was 1.72%

COLA Concerns

When inflation is low (about 1%), the indexing account is able to pay for COLA increases. Should inflation reach moderate levels, e.g. 4%, a funding deficiency could result and the payment of 2/3 of the CPI may not be possible. Improvements are needed to the COLA program to ensure these increases in the future.

Funding of Pension Benefits

The Fund's net assets available for benefits are primarily funded by:

- investment income
- employee contributions
- employer payments

These assets are used to finance the payment of the Funds' portion of the basic pension, the indexing benefits, and the employers' share for several matching employers who pay the Fund an amount equal to the employees' contributions.

The majority of employers are non-matching and defer payment of their share of pension benefits until the benefit is paid.

The Fund consists of two separate accounts:

1. Basic Benefits Account
   - finances the Fund's share of the basic pension benefit calculated as at a specific date (i.e. retirement, termination or death)

2. Indexing Benefits Account
   - has been specifically established to finance the Fund's share of cost-of-living benefits paid to members
   - 10.2% of employee contributions and matching employer payments are credited annually to this Account

   The cost-of-living benefit payments are limited to the extent that the indexing account is able to finance its share of each increase. Legislation limits the maximum annual cost-of-living adjustment to 2/3 of the increase in the CPI until the Account can prefund anticipated adjustments for the next 20 years.

The net assets available to finance pension benefits, the obligations for pension benefits, and any surplus in the Basic Benefits Account and the funds available to finance future cost-of-living adjustments as at December 31, 2000 are summarized below for the basic pension benefits and indexing benefits.

($) THOUSANDS	Fund	Non Matching Employers	Obligations Total
1. Net Assets Available (Net of Actuarial Reserves)			
Basic Benefits Account	$1,844,003	See Note Below	
Indexing Benefits Account	109,661		
Total	**$1,953,664**		
2. Actuarial Obligations for Pension Benefits			
Basic Benefits Account (including future benefits)	$1,822,747	$1,400,861	$3,223,608
Indexing Benefits Account	82,231	79,571	161,802
Total	**$1,904,978**	**$1,480,432**	**$3,385,410**
3. Surplus/Funds Available			
Basic Benefits Account			
• Surplus	$21,256		
Indexing Benefits Account		See Note Below	
• Funds Available to Finance Future Adjustments	27,430		
Total	**$48,686**		

Please refer to Notes 4 and 5 of the Audited Financial Statements for additional information.

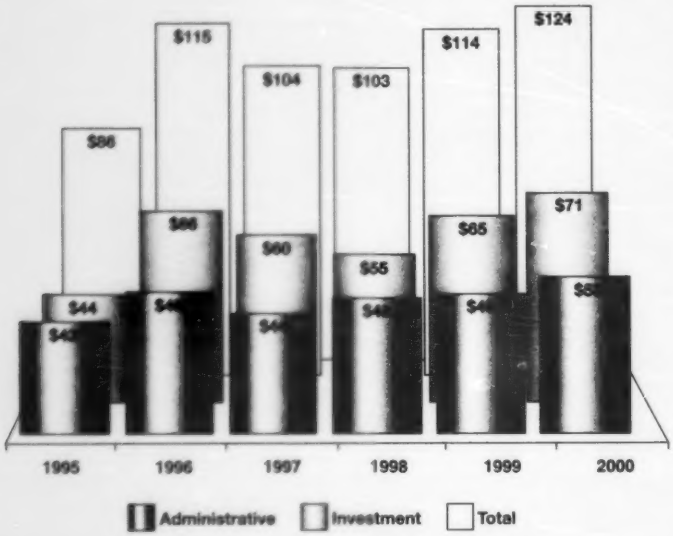
Note: The non-matching employer's portion of the pension liability is unfunded for most employers.

Please refer to Schedule 2 of the Audited Financial Statements for additional information.

Administration and Investment Cost

The Board's annual administration and investment cost per member continues to be one of the lowest for complex defined benefit plans. The total annual cost per member for 2000 was $124 consisting of $53 for administration and $71 for investment related expenses.

Annual Cost Per Member



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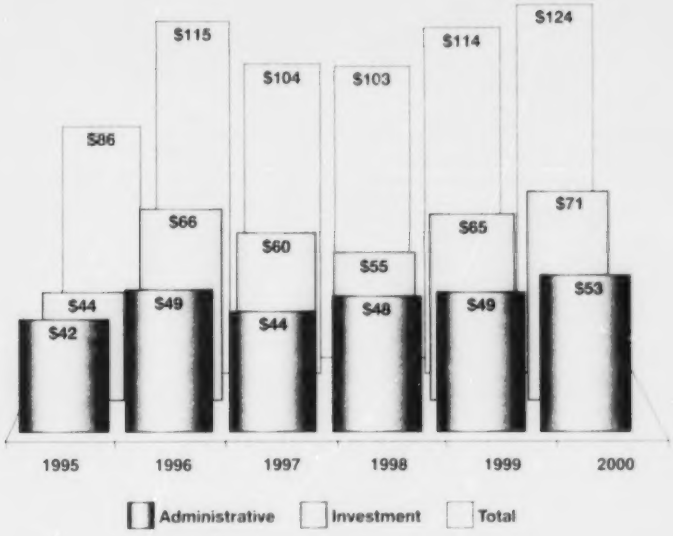


Six-Year Comparative Statistics *for The Civil Service Superannuation Fund*

Highlights	1995	1996	1997	1998	1999	2000
($) THOUSANDS						
Market Value of Investments	$1,770,482	$1,980,863	$1,708,396	$1,839,504	$1,965,239	$2,140,549
Investment Rate of Return	16.6%	13.7%	10.5%	8.5%	7.8%	9.8%
Employee Contributions	$55,204	$54,597	$45,670	$48,096	$49,308	$52,250
Employer Payments	66,288	72,515	59,250	62,712	65,911	70,693
Total Contributions/Payments	$121,492	$127,112	$104,920	$110,808	$115,219	$122,943
Pension Payments	$124,479	$134,067	$108,031	$113,721	$118,724	$129,437
Refunds and Transfers	$12,626	$17,361	$14,588	$15,739	$16,412	$18,046
Administrative Expenses	$1,731	$2,054	$1,565	$1,716	$1,671	$1,973
Investment Expenses	$1,845	$2,777	$2,117	$1,980	$2,398	$2,664
Employees and Former Employees	30,837	30,334	25,432	25,827	26,177	26,380
Pensioners and Beneficiaries	10,869	11,482	9,896	10,266	10,697	10,999
Total Members	41,706	41,816	35,328	36,093	36,874	37,379
Refunded/Transferred Members	1,336	2,017	1,085	1,215	1,069	1,186
Retirements	599	817	519	541	637	553

Management Report

The accompanying financial statements of the Civil Service Superannuation Fund are the responsibility of management and have been prepared in accordance with the accounting policies stated in the notes to the financial statements. Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to safeguard the assets of the Fund. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to February 28, 2001.

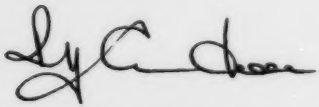
The firm of Ellement and Ellement Ltd. has been appointed the consulting actuary for the Fund. The role of the actuary is to complete the triennial actuarial valuations of the Fund in accordance with actuarial practice and estimate the obligations for benefits for inclusion in the annual financial statements.

The Provincial Auditor performs an independent audit of the financial statements in accordance with generally accepted auditing standards. The resulting opinion is set out in the Auditors' Report attached to the financial statements.

Ultimate responsibility for the financial statements rests with the Board of Directors. The Board, as Audit Committee, established a Financial Statement Review Committee to meet with Board staff and representatives of the Provincial Auditor. It is the responsibility of the Financial Statement Review Committee to review the financial statements, ensure that each group has properly discharged its respective responsibilities and make a recommendation to the Board regarding approval of the financial statements. The auditors have full and unrestricted access to the Board, as Audit Committee, and to the Financial Statement Review Committee.

The Board has reviewed and approved these financial statements.

On behalf of Management,



ROBERT H. COVERNTON,
General Manager

ALLEN BORLE,
Director, Finance

Report of the Office of the Provincial Auditor
ON THE CIVIL SERVICE SUPERANNUATION FUND

Office of the Provincial Auditor
500 – 330 Portage Avenue, Winnipeg, Manitoba R3C 0C4 CANADA

Auditors' Report

To the Legislative Assembly of Manitoba and
To the Members of the Civil Service Superannuation Plan

We have audited the statement of net assets available for benefits of The Civil Service Superannuation Fund as at December 31, 2000 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of The Civil Service Superannuation Fund as at December 31, 2000 and the changes in net assets available for benefits for the year then ended in accordance with generally accepted accounting principles.

David Petrie

WINNIPEG, MANITOBA
FEBRUARY 28, 2001

DAVID PETRIE, CA
for the Provincial Auditor

Statement of Net Assets Available for Benefits

AS AT DECEMBER 31, 2000

($) THOUSANDS	2000	1999
ASSETS		
Investments, Schedule 1, Note 2(b)	**$2,140,549**	**$1,965,239**
Capital assets	**82**	**109**
Debt due from the Province of Manitoba, Note 7	**1,826**	**1,826**
Receivables	**1,189**	**475**
Accrued dividends and interest	**12,107**	**12,859**
Total assets	**2,155,753**	**1,980,508**
LIABILITIES		
Accounts payable	**1,336**	**854**
Pensions payable, Note 13	**2,880**	**–**
Refunds and transfers payable	**1,736**	**–**
Manitoba Telecom Services Inc. in trust, Note 15	**460**	**825**
Correctional officers' trust account, Note 8	**1,287**	**910**
Employer trust accounts, Note 9	**28,103**	**23,978**
Money Purchase Accounts Plan, Note 10	**7,197**	**6,656**
Provision for pension benefits for Fund employees, Note 14	**–**	**2,418**
Total liabilities	**42,999**	**35,641**
Net assets available for benefits, Exhibit B	**$2,112,754**	**$1,944,867**

Chairperson of the Board

Chair, Financial Statement Review Committee

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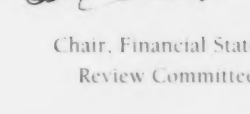

Chair, Financial Statement Review Committee

Statement of Changes in Net Assets Available for Benefits

FOR THE YEAR ENDED DECEMBER 31, 2000

($) THOUSANDS	2000			1999
	Basic Benefits Account	Indexing Benefits Account	**Total**	Total
Increase in assets				
Contributions, Schedule 2, Note 1(b)				
Employees	$47,048	$5,202	**$52,250**	$49,308
Employers	70,550	143	**70,693**	65,911
Total contributions	117,598	5,345	**122,943**	115,219
Net investment income, Schedule 3	178,695	12,445	**191,140**	137,533
Employer liability funding, Note 14	1,881	537	**2,418**	—
Other	69	—	**69**	167
Total increase in assets	298,243	18,327	**316,570**	252,919
Decrease in assets				
Pension expense, Note 13	120,677	8,760	**129,437**	118,724
Refunds and transfers	18,046	—	**18,046**	16,412
Administrative expenses, net, Note 11	1,033	—	**1,033**	879
Transfer to employer trust accounts	167	—	**167**	80
Total decrease in assets	139,923	8,760	**148,683**	136,095
Increase in net assets	158,320	9,567	**167,887**	116,824
Net assets available for benefits at beginning of year	1,813,984	130,883	**1,944,867**	1,828,043
Increase in net assets	158,320	9,567	**167,887**	116,824
Net assets available for benefits at end of year, Exhibit A	$1,972,304	$140,450	**$2,112,754**	$1,944,867

Statement of Changes in Net Assets Available for Benefits

FOR THE YEAR ENDED DECEMBER 31, 2000

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Total decrease in assets	139,923	8,760	**148,683**	136,095
Increase in net assets	158,320	9,567	**167,887**	116,824
Net assets available for benefits at beginning of year	1,813,984	130,883	**1,944,867**	1,828,043
Increase in net assets	158,320	9,567	**167,887**	116,824
Net assets available for benefits at end of year, Exhibit A	$1,972,304	$140,450	**$2,112,754**	$1,944,867

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2000

1. Description of Plan

The following description of the Civil Service Superannuation Plan (the Plan) is a summary only. For more complete information reference should be made to the Civil Service Superannuation Act (the Act).

(a) General

The Civil Service Superannuation Board (the Board) and the Civil Service Superannuation Fund (the Fund) were established under the Act in May 1939. The Board is responsible for administering the Act. The Act defines the basis of funding and the operation of the Plan as a defined benefit plan, which provides pension benefits to employees of the Government of the Province of Manitoba and its agencies participating in the Plan.

(b) Funding

The Act was amended effective December 15, 2000 to reflect certain benefit improvements, as described in Note 13, (the pension formula improvement therein was retroactive to September 1, 2000).

The Act requires that employees contribute 5.1% of pensionable earnings up to the Canada Pension Plan (CPP) maximum pensionable earnings and 7% of pensionable earnings above that maximum each year. In accordance with the Act, 89.8% of the employee contributions are allocated to the Basic Benefits Account and 10.2% are allocated to the Indexing Benefits Account.

Under provisions of the Act non-matching employers defer contributing their share of employee pension benefits until they are billed for 50% of the benefit payments processed. As a result of the December amendments to the Act, non-matching employers will not be billed for the cost of the pension formula improvement. Matching employers contribute to both the Basic and the Indexing Benefits Accounts.

The Fund's net assets available for benefits are primarily comprised of contributions from employees and matching employers together with investment income. These assets are intended to finance the Fund's portion of the Plan's actuarially determined obligation for pension benefits accruing to employees for service to the date of these financial statements. The non-matching employers' portion of the obligation for pension benefits as shown in Note 4 is unfunded.

One-half of the cost-of-living benefit payments are charged to the Indexing Benefits Account. All other benefit payments are charged against

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2000

the Basic Benefits Account. The recovery of the non-matching employers' share is credited to the Basic Benefits Account.

The cost-of-living benefit payments are limited to the extent that the amount in the separate Indexing Benefits Account is actuarially able to finance one-half of that payment. Legislation limits the maximum annual adjustment to two-thirds of the increase in Consumer Price Index (Canada) until the Indexing Benefits Account can pre fund anticipated adjustments for the next twenty years.

(c) Pension Calculation

The lifetime pension calculation equals:

(i) 2% of a member's best five-year average pensionable earnings multiplied by pensionable service.

(ii) minus .4% (prior to August 31, 2000 - .6% as described in Note 13) of the average Canada Pension Plan pensionable earnings for the same period multiplied by pensionable service since January 1, 1966.

The lifetime pension is subject to an overall maximum of 70% of the average earnings described in (i) above. Pensioners at or near the 70% maximum will not be restricted to that maximum when applying the December 15, 2000 amendments indicated in (ii) above. Some pensions for members retiring prior to age 60 are subject to an early retirement reduction.

(d) Excess Contributions

On termination, retirement or death, if a member's contributions plus interest (less 10.2% allocated to the Indexing Benefits Account) exceed 50% of the commuted value of the pension for service after December 31, 1984, the excess contributions are payable to the member or the member's estate.

(e) Retirement

A member with ten or more years of qualifying service is eligible to retire at age 55.

A member with one or more years of qualifying service is eligible to retire at age 65.

All members must commence pension benefits no later than the last day of the calendar year in which the member attains 69 years of age.

Eligible members of the Province of Manitoba's Corrections Component may retire as early as age 50.

(f) Disability Pensions

A member with ten or more years of qualifying service is eligible to apply for a disability pension.

(g) Survivor's Benefits

A survivor's benefit is payable to a spouse or eligible survivor(s) of a member who dies with two or more years of qualifying service.

(h) Death Refunds

A death refund is payable to the estate of a pensioner or survivor where such pensions have not been paid to the full extent of the individual's contributions plus interest. In a similar manner, a death refund is payable to the estate of a member where no survivor's pension is paid.

(i) Withdrawal Refunds

Upon application and subject to lock-in provisions, withdrawal refunds are payable when a member ceases to be employed by a participating employer. Members with two or more years of qualifying service may choose to leave their contributions in the Plan as a vested member.

(j) Income Taxes

The Plan is a Registered Pension Trust as defined in the Income Tax Act and is not subject to income taxes.

(k) Money Purchase Accounts Plan

The Board administers and maintains a separate Money Purchase Accounts Plan on a trust basis as provided for in the Act.

2. Significant Accounting Policies

The significant accounting policies are summarized below:

(a) Basis of Presentation

The financial statements are prepared on a going-concern basis as a separate financial reporting entity, in accordance with generally accepted accounting principles. They are prepared to assist participants and others in reviewing the activities for the fiscal year.

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2000

(b) Investments

Investments are recorded at fair value on a trade date basis.

Fair values of investments are determined as follows:

Fixed Income

(i) Short-term investments are recorded at cost, which approximates market value.

(ii) Bonds and debentures are valued at market by independent sources.

(iii) National Housing Act (Canada) and other mortgages are valued based upon the present value of future discounted cash flows. Pooled mortgage funds are valued at market by the external manager.

Equity

(i) Publicly traded securities are recorded at year end market prices as listed on the appropriate stock exchange.

(ii) Real estate investments are reported at the most recent appraisals or external manager's valuations of the underlying properties.

(iii) Petroleum and natural gas shares are reported based upon the discounted present value of proven petroleum and natural gas reserve information provided by external managers or are reflected at cost until such information is made available.

(iv) Venture capital investments are reported at values established by the external managers or at cost where no valuation has been prepared.

(v) The Fund has subsidiaries, which are not consolidated but are included in the Summary of Investments, Schedule 1. Included in real estate shares are shares of ten subsidiaries whose value in aggregate totals $76,967,074. Included in petroleum and natural gas shares are shares of one subsidiary valued at $67,860,998.

(c) Foreign Currency Translation

The fair value of investments denominated in foreign currencies is translated into Canadian dollars at the exchange rate in effect at year-end and the resulting change is included in the change in fair value of investments. Revenue and expense transactions are translated at the exchange rates prevailing on the dates of the transactions and are included in investment income at the translated amounts.

(d) Capital Assets

Computer equipment costing less than $1,000 and all furniture purchases are charged to operations in the year of acquisition. Mid-range computer equipment cost is amortized over 5 years and microcomputer equipment cost is amortized over 3 years.

3. Risk Management

Fair values of investments are exposed to interest rate risk, credit risk and currency risk.

Interest rate risk refers to the impact of interest rate changes on the Fund's cash flows, financial position and income. To limit the exposure to interest rate fluctuation and to obtain the best possible return at acceptable risk, the Board established an investment asset mix policy of 45% fixed income and 55% equity.

The term to maturity and related market values of fixed income investments are as follows:

Term to maturity	2000	1999
($) THOUSANDS		
Less than one year	$ 122,073	$ 117,359
One to five years	229,311	327,546
Over five years	684,740	568,215
Total fixed income investments	**$1,036,124**	$1,013,120

Credit risk is the risk of loss from the failure of a counter party to discharge its contractual obligations. The Board limits credit risk by concentrating on high quality securities and adhering to a Statement of Investment Policies and Goals. The Policy establishes investment ownership limits and acceptable credit ratings. For example, 95% of bonds and debentures must be rated single A or higher.

Currency risk relates to the possibility that foreign currency-denominated investments will change in value due to future fluctuations in foreign exchange rates. The Fund does, from time to time, hedge some of this exposure. As at December 31, 2000 external fund managers had entered into forward foreign exchange contracts valued at $754,923 (1999 – $11,729,946) on behalf of the Fund.

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2000

4. Obligations for Pension Benefits

(a) Obligation for Pension Benefits

(i) Basic Benefits Account

In accordance with the Act, an Actuarial Valuation Report is required every three years. The stated purpose of the actuarial valuation is to:

- determine the financial position of the Fund as at the valuation date,
- determine the adequacy of the contributions being received in relation to the portion of the benefits financed by the Fund, and
- provide recommendations as to the future course of action based on the financial position revealed.

The triennial Actuarial Valuation Report on the Fund was completed as at December 31, 1998 by Ellement and Ellement Ltd., consulting actuaries.

The actuarial present value of the accrued basic pension benefit obligations, based on service to date, was estimated by the actuary as at December 31, 2000. The principal components of the changes in actuarial present value during the year were calculated and are as follows:

Basic Benefits Account

($) THOUSANDS	Fund 2000	Non-Matching Employers 2000	**Total 2000**	Total 1999
Actuarial present value of accrued basic pension benefit obligations based on service to date, beginning of year	$1,324,153	$1,254,508	**$2,578,661**	$2,591,657
Employer funding liability	1,881	(1,881)	**–**	–
Experience (gain)	–	–	**–**	(168,077)
Adjusted beginning of year	1,326,034	1,252,627	**2,578,661**	2,423,580
Benefits accrued	47,796	45,558	**93,354**	88,275
Benefits paid	(68,340)	(70,550)	**(138,890)**	(126,947)
Interest on accrued benefits	92,103	86,809	**178,912**	168,297
Change in actuarial reserves	19,082	18,188	**37,270**	25,456
Cost of amendments, Note 13	276,106	–	**276,106**	–
Actuarial present value of accrued basic pension benefit obligations based on service to date, end of year	$1,692,781	$1,332,632	**$3,025,413**	$2,578,661

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2000

4. Obligations for Pension Benefits

(a) Obligation for Pension Benefits

(i) Basic Benefits Account

In accordance with the Act, an Actuarial Valuation Report is required every three years. The stated purpose of the actuarial valuation is to:

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Cost of amendments, Note 13	276,106	–	**276,106**	–
Actuarial present value of accrued basic pension benefit obligations based on service to date, end of year	$1,692,781	$1,332,632	**$3,025,413**	$2,578,661

The non-matching employers' portion of the accrued basic pension benefit obligation is unfunded. These non-matching employers defer contributing their share of employee pension benefits until they are billed for 50% of the benefit payments processed. Under the terms of the December 15, 2000 amendments to the Act, non-matching employers will not be billed for the cost of the pension formula improvement that was effective from September 1, 2000.

The Actuarial Valuation Reports and the estimate at December 31, 2000 were based on the same set of assumptions. The actuary has introduced some additional reserves during the estimate period to provide for possible adverse deviations not explicitly identified in the Valuation. These assumptions were chosen for each of the factors that will affect the Fund financially in future years. Each assumption is based on relevant past experience studied over long periods of time to produce more reliable information.

Significant long-term actuarial assumptions used in the December 31, 1998 Valuation and in the determination of the present value of the accrued basic pension benefit obligations were:

Annual rate of return	
(i) inflation component	3.00%
(ii) real rate of return	4.00%
	7.00%
Annual salary escalation rates	
(i) general increases	
a) inflation component	3.00%
b) productivity component	.50%
	3.50%
(ii) service, merit and promotional increases*	

*the rates used vary by age groupings from a high of 3.0% to a low of 0%

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2000

(ii) Indexing Benefits Account

The most recent annual Actuarial Valuation Report on the Indexing Benefits Account was prepared by Ellement and Ellement Ltd., consulting actuaries, as at December 31, 1999. The actuarial present value of the accrued indexing pension benefit obligations was estimated by the actuary as at December 31, 2000 and is as outlined below. The actuarial assumptions used are the same assumptions used for the Basic Benefits Account, except the annual rate of return is 6.5%.

Indexing Benefits Account

($) THOUSANDS	Fund	Non-Matching Employers	**Total**	Total
	2000	2000	**2000**	1999
Actuarial present value of accrued indexing pension benefit obligations, beginning of year	$73,031	$70,669	**$143,700**	$148,372
Experience (gain)	–	–	**–**	(7,976)
Adjusted beginning of year	73,031	70,669	**143,700**	140,396
Cost of living accrual effective July 1	11,909	11,524	**23,433**	8,972
Benefits paid	(8,760)	(8,477)	**(17,237)**	(16,271)
Interest on accrued benefits	5,237	5,067	**10,304**	9,180
Change in actuarial reserves	814	788	**1,602**	1,423
Actuarial present value of accrued indexing pension benefit obligations, end of year	$82,231	$79,571	**$161,802**	$143,700

(b) Fund's Asset Valuation

The actuary adjusts net assets available for benefits to smooth investment gains (losses) over five years and to recognize amounts reserved for future indexing benefits.

The actuarial asset values used in the estimate of the Fund's pension obligations were:

($) THOUSANDS	Basic Benefits 2000	Indexing Benefits 2000	**Total 2000**	Total 1999
Net assets available for benefits, Exhibit B	$1,972,304	$140,450	**$2,112,754**	$1,944,867
Amount reserved for future indexing benefits	–	(21,653)	**(21,653)**	(22,095)
Adjustment for the actuarial value of assets	(128,301)	(9,136)	**(137,437)**	(98,511)
Actuarial value of net assets available for benefits	$1,844,003	$109,661	**$1,953,664**	$1,824,261

5. Additional Actuarial Information

(a) Total actuarial pension liabilities for the basic benefits account

The actuary determines the actuarial liability for net future service as a component in the actuarial valuation completed for funding purposes. The total actuarial Basic Benefit pension liabilities at December 31, 2000 have been estimated based on service to date and net future service as follows:

($) THOUSANDS	Fund 2000	Non-Matching Employers 2000	**Total 2000**	Total 1999
Service to date, Note 4	$1,692,781	$1,332,632	**$3,025,413**	$2,578,661
Net future service	129,966	68,229	**198,195**	140,892
Total actuarial pension liabilities	$1,822,747	$1,400,861	**$3,223,608**	$2,719,553

(b) Basic benefits actuarial surplus (Fund only)

The Fund had an estimated going concern actuarial surplus of $21,256,000 as at December 31, 2000 (1999 – $313,569,000) in the Basic Benefits Account, after including pension benefit obligations for service to date and for future service actuarial liabilities.

(c) Indexing benefits actuarial surplus (Fund only)

The funds available to finance future cost-of-living increases in the Indexing Benefits Account were estimated to be $27,430,000 as at December 31, 2000 (1999 – $35,757,000).

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2000

(ii) Indexing Benefits Account

The most recent annual Actuarial Valuation Report on the Indexing Benefits Account was prepared by Ellement and Ellement Ltd., consulting actuaries, as at December 31, 1999. The actuarial present value of the accrued indexing pension benefit obligations was estimated by the actuary as at December 31, 2000 and is as outlined below. The actuarial assumptions used are the same assumptions used for the Basic Benefits Account, except the annual rate of return is 6.5%.

Indexing Benefits Account

($) THOUSANDS	Fund 2000	Non-Matching Employers 2000	**Total 2000**	Total 1999
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Experience (gain)	-	-	**-**	(7,976)
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The funds available to finance future cost-of-living increases in the Indexing Benefits Account were estimated to be $27,430,000 as at December 31, 2000 (1999 – $35,757,000).

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2000

6. Employer Assets Provided for Pension Obligations

Readers should refer to the latest audited employer financial statements, including financial statements of the Government of the Province of Manitoba and its participating agencies, to determine how employers fund pension obligations.

7. Debt due from the Province of Manitoba

Under Section 24(1) of the Act, the Province of Manitoba assumed an accrued liability of $1,826,000 for its employees and pensioners as at May 1, 1939. The Province of Manitoba pays semi-annual interest at 4% per annum on this amount.

8. Correctional Officers' Trust Account

Effective November 19, 1996 employees who are members of the Province of Manitoba's Corrections Component are required to contribute an additional 1% of pensionable earnings. These additional contributions are credited to this trust account and are intended to fund the additional pension benefits for eligible employees who may retire as early as age 50 with no reduction for early retirement providing the total of age and qualifying service equals 75 or greater.

9. Employer Trust Accounts

The Fund is responsible for providing enhanced benefits enacted in the 1992 legislation agreed to by the Employee Liaison Committee and the Employer Pension Advisory Committee. These benefits are 100% financed from the Fund's net assets available for benefits. To facilitate this funding, trust accounts were established for non-matching employers participating in the Fund for their share of the actuarial valuation of these future benefit enhancements. Specific contributions from eligible employees are being transferred to the applicable trust account.

10. Money Purchase Accounts Plan

Effective January 2, 1985 a separate Money Purchase Accounts Plan was established to enhance the portability of pensions. Contributors include employees, recipients of superannuation allowances, annuities or pensions

payable under the Act, or persons on whose behalf the Board is required or requested to transfer moneys to this Plan. Refunds are made upon written request by the contributor. Administrative costs are recovered by the Board.

11. Administrative Expenses

($) THOUSANDS	2000	1999
Salaries and fringe benefits	$1,935	$1,814
Professional fees	161	100
Office and administration	717	679
	2,813	2,593
Less: recoveries from other administered funds		
regular administration	(840)	(794)
one-time administrative recoveries	(—)	(128)
Fund administrative expenses	1,973	1,671
Less: recoveries from non-matching employers	(940)	(792)
Administrative expenses, net	$1,033	$879

12. Managed Investment Funds

The Board acts as investment manager for other funds, which are separate and have been excluded from these financial statements.

The fair values of these other funds under administration on a trade date basis at December 31 are:

($) THOUSANDS	2000	1999
The Manitoba Hydro Pension Fund	$446,418	$404,123
Joint Board of Trustees of The Municipal Employees Benefits Program	271,305	245,013
The Public Service Group Insurance Fund	97,317	89,736
Centra Gas Pension Funds	50,748	—
	$865,788	$738,872

The Board recovers its administrative costs for this service by charging an investment management fee, which is deducted from investment management expenses in Schedule 3.

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	$865,788	$738,872

The Board recovers its administrative costs for this service by charging an investment management fee, which is deducted from investment management expenses in Schedule 3.

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2000

13. Amendments to the Act

The Act was amended December 15, 2000 to provide benefit improvements. The most significant benefit improvement was to amend the pension formula to increase the pension benefits payable effective September 1, 2000 from 1.4% to 1.6% of average earnings, as explained in Note 1 (c). There were also changes to buy back provisions respecting pensionable service as well as to other administrative matters. The cost of these benefit improvements will be funded by the Fund and by an increase in employee contribution rates. A retroactive payment of $2,880,821 for pension formula improvements for the period September 1, 2000 to December 31, 2000 was made in January 2001 to those persons receiving pension payments.

Effective January 1, 2001, the employee contribution rate will be 6% of pensionable earnings up to CPP maximum pensionable earnings and 7% of pensionable earnings above the CPP maximum each year. On pensionable earnings up to the CPP maximum, the matching employer contribution rate remains the same at 5.1%.

14. Employer Liability Funding

During 2000, The Civil Service Superannuation Board became a matching employer and funded, in total, the actuarial present value of all prior accrued basic and indexing pension obligations.

15. Privatization of the Manitoba Telephone System

On January 1, 1997, Manitoba Telephone System became a publicly traded corporation named Manitoba Telecom Services Inc. (MTS) and it assumed all responsibility for pension benefit payments for its employees and former employees. The transfer of assets to the new MTS plan was negotiated in the amount of $423,946,413 and was determined in accordance with the Pension Assets Transfer regulation, based on the December 31, 1996 actuarial valuation of the Fund. The Board continues to administer, on behalf of MTS, certain investments, which were included in the value of assets transferred to MTS.

Summary of Investments

AS AT DECEMBER 31, 2000

($) THOUSANDS	2000	1999
Fixed income investments		
Cash and Short term		
Government and corporations	$112,790	$103,162
Bonds and debentures		
Government of Canada	395,125	378,682
Province of British Columbia	30,925	29,313
Province of Manitoba	17,577	16,805
Province of Newfoundland	5,100	—
Province of Nova Scotia	14,863	7,592
Province of Ontario	92,700	83,762
Province of Quebec	64,697	27,426
Province of Saskatchewan	9,364	—
Government of Northwest Territories	1,938	1,885
Mortgage-backed securities	48,242	66,887
Corporations	176,250	208,774
Asset-backed securities	15,307	31,880
Mortgages		
National Housing Act (Canada)	3,478	6,360
Other	12,919	14,882
Pooled funds	1,102	1,250
Index-linked	33,747	34,460
Total fixed income investments	1,036,124	1,013,120
Equity investments		
Common stock		
Foreign	26,223	8,828
Pooled funds		
Domestic	467,436	386,857
Foreign	384,017	387,434
Real estate		
Participating bonds	59,519	55,756
Shares, Note 2(b)(v)	93,877	64,871
Units of pooled real estate	1,690	3,437
Administered for		
Manitoba Telecom Services Inc., Note 15	460	825
Petroleum and natural gas shares, Note 2(b)(v)	67,861	40,289
Venture capital	3,342	3,822
Total equity investments	1,104,425	952,119
Investments, Exhibit A	$2,140,549	$1,965,239

Schedule of Contributions

FOR THE YEAR ENDED DECEMBER 31, 2000

($) THOUSANDS	2000			1999
	Employers	Employees	**Total**	Total
Non-matching employers, Note 1(b)				
Province of Manitoba Civil Service	$47,026	$28,005	**$75,031**	$71,896
Manitoba Hydro-Electric Board	17,578	10,848	**28,426**	26,573
Liquor Control Commission	1,771	781	**2,552**	2,579
Manitoba Public Insurance Corporation	1,625	2,736	**4,361**	4,082
Addictions Foundation of Manitoba	416	485	**901**	949
Communities Economic Development Fund	61	43	**104**	75
Community Colleges				
Assiniboine Community College	19	546	**565**	503
Keewatin Community College	1	470	**471**	470
Manitoba Agricultural Credit Corporation	219	143	**362**	293
Manitoba Centennial Centre Corporation	190	95	**285**	250
Manitoba Horse Racing Commission	3	10	**13**	15
Red River College	92	1,942	**2,034**	1,838
Regional Health Authorities				
Brandon	2	654	**656**	488
Burntwood	1	52	**53**	68
Central	—	303	**303**	176
Interlake	—	218	**218**	195
Marquette	—	136	**136**	109
Norman	—	85	**85**	74
North Eastman	—	82	**82**	88
Parkland	24	215	**239**	245
South Eastman	—	103	**103**	78
South Westman	—	131	**131**	107
Winnipeg	—	726	**726**	557
Teachers' Retirement Allowances Fund Board	62	62	**124**	118
The Council for Post Secondary Education	32	33	**65**	62
The Legal Aid Services Society of Manitoba	38	335	**373**	346
Workers Compensation Board	39	—	**39**	38
Total non-matching employers	69,199	49,239	**118,438**	112,272

SCHEDULE 1

Summary of Investments

AS AT DECEMBER 31, 2000

($ THOUSANDS)	2000	1999
Fixed income investments		
Cash and Short-term		
Government and corporations	$112,790	$103,162
Bonds and Debentures		
Government of Canada	395,125	378,682
Province of British Columbia	30,925	29,313
Province of Manitoba	17,577	16,805
Province of Newfoundland	5,100	—
Province of Nova Scotia	14,863	7,592
Province of Ontario	92,700	83,762
Province of Quebec	64,697	27,426
Province of Saskatchewan	9,364	—
Government of Nunavut Territories	1,938	1,885
Mortgage-backed securities	48,242	66,887
Corporations	176,250	208,774
Asset-backed securities	15,307	31,880
Mortgages		
National Housing Act (Canada)	3,478	6,360
Other	12,919	14,882
Private Debt	1,102	1,250
Index-linked	33,747	34,460
Total fixed income investments	**1,036,124**	**1,013,120**
Equity investments		
Common Stock		
Foreign	26,223	8,828
Pooled funds		
Domestic	467,436	386,857
Foreign	384,017	387,434
Real estate		
Participating loans	59,519	55,756
Shares, Note 1(b)(ii)	93,877	64,871
Units of pooled real estate	1,690	3,437
Administered for		
Nunavut Trust Services Inc., Note 10	460	825
Petroleum and natural gas shares, Note 1(b)(ii)	67,861	40,289
Venture capital	3,342	3,822
Total equity investments	**1,104,425**	**952,119**
Investments, Exhibit A	**$2,140,549**	**$1,965,239**

Schedule of Contributions

FOR THE YEAR ENDED DECEMBER 31, 2000

($) THOUSANDS	2000			1999
	Employers	Employees	**Total**	Total
Non-matching employers, Note 1(b)				
Province of Manitoba Civil Service	$47,026	$28,005	**$75,031**	$71,896
Manitoba Hydro-Electric Board	17,578	10,848	**28,426**	26,573
Liquor Control Commission	1,771	781	**2,552**	2,579
Manitoba Public Insurance Corporation	1,625	2,736	**4,361**	4,082
Addictions Foundation of Manitoba	416	485	**901**	949
Communities Economic Development Fund	61	43	**104**	75
Community Colleges				
Assiniboine Community College	19	546	**565**	503
Keewatin Community College	1	470	**471**	470
Manitoba Agricultural Credit Corporation	219	143	**362**	293
Manitoba Centennial Centre Corporation	190	95	**285**	250
Manitoba Horse Racing Commission	3	10	**13**	15
Red River College	92	1,942	**2,034**	1,838
Regional Health Authorities				
Brandon	2	654	**656**	488
Burntwood	1	52	**53**	68
Central	—	303	**303**	176
Interlake	—	218	**218**	195
Marquette	—	136	**136**	109
Norman	—	85	**85**	74
North Eastman	—	82	**82**	88
Parkland	24	215	**239**	245
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Total non-matching employers	69,199	49,239	**118,438**	112,272

Schedule of Contributions

FOR THE YEAR ENDED DECEMBER 31, 2000

($) THOUSANDS	2000			1999
	Employers	Employees	Total	Total
Total non-matching employers, continued	$69,199	$49,239	**$118,438**	$112,272
Matching employers, Note 1(b)				
Civil Service Superannuation Board, Note 14	86	86	**172**	172
Crown Corporations Council	21	21	**42**	40
Economic Innovation and Technology Council	17	17	**34**	34
Gaming Control Commission	39	39	**78**	83
Industrial Technology Centre	85	85	**170**	170
Manitoba Arts Council	10	10	**20**	20
Manitoba Chicken Producers	9	9	**18**	14
Manitoba Crop Insurance Corporation	305	305	**610**	570
Manitoba Government Employees' Union	162	162	**324**	246
Manitoba Hazardous Waste Management Corporation	4	4	**8**	6
Manitoba Housing Authority	399	395	**794**	790
Manitoba Lotteries Corporation	130	130	**260**	294
Manitoba Milk Producers	37	37	**74**	88
Manitoba Pork Council	38	38	**76**	98
Manitoba Pork Marketing Co-op Inc.	14	14	**28**	—
Manitoba Turkey Producers' Marketing Board	4	4	**8**	8
Manitoba Water Services Board	—	—	**—**	2
National Agri-Food Technology Centre	36	36	**72**	87
Total matching employers	1,396	1,392	**2,788**	2,722
Other				
Employees on loan	7	8	**15**	16
Employees on workers compensation	—	5	**5**	—
Reciprocal agreement — transfers in	1,137	2,022	**3,159**	1,722
Reciprocal agreement — transfers out	(1,046)	(1,060)	**(2,106)**	(2,216)
Repayment of contributions previously refunded	—	109	**109**	186
Contributions based on prior non-pensionable employment	—	376	**376**	433
Transfer from Money Purchase Accounts Plan	—	159	**159**	84
Total other	98	1,619	**1,717**	225
Total contributions, Exhibit B	$70,693	$52,250	**$122,943**	$115,219

THE CIVIL SERVICE SUPERANNUATION FUND

Schedule of Investment Income

FOR THE YEAR ENDED DECEMBER 31, 2000

($) THOUSANDS	2000	1999
Fixed income		
Short term	$7,116	$3,845
Bonds and debentures	58,042	64,994
Mortgages	4,139	4,270
Total fixed income	69,297	73,109
Equity income		
Common stock	116	294
Pooled funds	17,039	12,993
Real estate	10,616	12,008
Petroleum and natural gas shares	8,717	3,469
Venture capital	56	159
Total equity income	36,544	28,923
Increase in fair value of investments	13,132	16,388
Realized gains on sale of investments	79,066	23,922
Gross investment income	198,039	142,342
Less:		
Investment management expenses, net, Note 12	2,664	2,398
Transfer to correctional officers' trust account	104	58
Transfer to employer trust accounts	3,340	2,181
Transfer to Money Purchase Plan accounts	791	—
Transfer to provision for pension benefits for Fund employees	—	172
	6,899	4,809
Net investment income, Exhibit B	$191,140	$137,533

Schedule of Contributions

FOR THE YEAR ENDED DECEMBER 31, 2000

($) THOUSANDS	2000			1999
	Employers	Employees	**Total**	Total
Total non-matching employers, continued	$69,199	$49,239	**$118,438**	$112,272
Matching employers, Note 1(b)				
Civil Service Superannuation Board, Note 14	86	86	**172**	172
Crown Corporations Council	21	21	**42**	40
Economic Innovation and Technology Council	17	17	**34**	34
Gaming Control Commission	39	39	**78**	83
Industrial Technology Centre	85	85	**170**	170
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Manitoba Chicken Producers	9	9	**18**	14
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Manitoba Government Employees' Union	162	162	**324**	246
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Manitoba Milk Producers	37	37	**74**	88
Manitoba Pork Council	38	38	**76**	98
Manitoba Pork Marketing Co-op Inc.	14	14	**28**	—
Manitoba Turkey Producers' Marketing Board	4	4	**8**	8
Manitoba Water Services Board	—	—	**—**	2
National Agri-Food Technology Centre	36	36	**72**	87
Total matching employers	1,396	1,392	**2,788**	2,722
Other				
Employees on loan	7	8	**15**	16
Employees on workers compensation	—	5	**5**	—
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Total contributions, Exhibit B	$70,693	$52,250	**$122,943**	$115,219

Schedule of Investment Income

FOR THE YEAR ENDED DECEMBER 31, 2000

($) THOUSANDS	2000	1999
Fixed income		
Short term	$7,116	$3,845
Bonds and debentures	58,042	64,994
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Total fixed income	69,297	73,109
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